



PHUMELELA  
LOCAL MUNICIPALITY

Phumelela Local Municipality  
(Registration number :Demarcation number: FS 195)  
Financial statements  
for the year ended June 30, 2014  
Auditor-General South Africa

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

## General Information

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<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interests of the local community.
<b>Executive Committee</b>	
Mayor	Cllr TJ Motaung Cllr MD Kobeni Cllr DA Wessels
Councillors	Cllr TR Zwane (Speaker) Cllr Tshabalala SE Cllr Mofokeng JM Cllr Nkabinde DM Cllr Mokoena OA Cllr Tshabalala OS Cllr Ngwenya Sithebe JM Cllr Zwane SM CllrRadebe AD Cllr Radebe TE Cllr Msimanga LM Cllr Masiteng TN
<b>Grading of local authority</b>	Low Capacity (Grade 2)
<b>Accounting Officer</b>	Mr BW Kannemeyer
<b>Chief Finance Officer (CFO)</b>	Mr TM Moremi until 17 February 2014 (Resigned) Mr Sello Nyapholi - From 01 June 2014
<b>Registered office</b>	Civic Centre Cnr. Prinsloo and Kuhn Streets Vrede 9835
<b>Business address</b>	Civic Centre Cnr. Prinsloo and Kuhn Streets Vrede 9835
<b>Postal address</b>	Private Bag X5 Vrede 9835
<b>Bankers</b>	ABSA Bank Ltd (Primary Account) First National Bank
<b>Auditors</b>	Auditor-General South Africa
<b>Attorneys</b>	Bahlekazi Attorneys Breytenbach Mavuso Inc. Sarina Fourie Inc.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Phumelela Local Municipality**

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on page 6 to 73, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

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**Accounting Officer**  
**BW Kannemeyer**

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

## Accounting Officer's Report

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The accounting officer submits his report for the year ended June 30, 2014.

### 1. Review of activities

#### Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interests of the local community. and operates the Free State Province of South Africa.

Net surplus of the municipality was R 3,696,430 (2013: surplus R 5,372,771).

### 2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year that require additional disclosure in the financial statements.

### 4. Accounting Officer's interest in contracts

The Accounting Officer does not have an interest in contracts.

### 5. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Changes
Mr B.W. Kannemeyer	South African	Appointed 17 July 2013

### 7. Auditors

Auditor-General South Africa will continue in office for the next financial period.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

## Statement of Financial Position as at June 30, 2014

Figures in Rand	Note(s)	2014	2013
<b>Assets</b>			
Current Assets			
Inventories	9	612,321	693,012
Receivables from exchange transactions	10	396,101	44,021
Receivables from non-exchange transactions	11	335,547	3,918,121
VAT receivable	12	3,205,315	679,523
Consumer debtors	13	4,678,608	1,190,276
Cash and cash equivalents	14	4,458,957	707,771
		<b>13,686,849</b>	<b>7,232,724</b>
Non-Current Assets			
Investment property	3	18,080,539	18,664,754
Property, plant and equipment	4	433,561,407	456,170,561
Intangible assets	5	47,694	47,694
Heritage assets	6	2,010	2,010
Other financial assets	7	490,901	533,984
		<b>452,182,551</b>	<b>475,419,003</b>
<b>Total Assets</b>		<b>465,869,400</b>	<b>482,651,727</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	17	851,079	786,335
Finance lease obligation	15	480,664	442,337
Payables from exchange transactions	19	92,988,414	58,409,974
Consumer deposits	20	231,326	232,220
Unspent conditional grants and receipts	16	3,556,809	906,705
Bank overdraft	14	-	1,953,055
		<b>98,108,292</b>	<b>62,730,626</b>
Non-Current Liabilities			
Other financial liabilities	17	2,848,532	3,719,794
Finance lease obligation	15	301,825	781,150
Employee benefit obligation	8	9,666,000	8,197,000
Provisions	18	7,682,456	7,115,134
		<b>20,498,813</b>	<b>19,813,078</b>
<b>Total Liabilities</b>		<b>118,607,105</b>	<b>82,543,704</b>
<b>Net Assets</b>		<b>347,262,295</b>	<b>400,108,023</b>
Accumulated surplus		347,262,295	400,108,023

## Phumelela Local Municipality

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### Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
<b>Revenue</b>			
Service charges	24	26,655,865	22,592,369
Rendering of services		481,344	379,204
Interest received (trading)		6,506,525	3,539,175
Licences and permits		16,995	16,977
Rental of facilities		989,631	601,958
Other income		239,967	110,471
Interest received - investment		545,846	672,013
Property rates	23	7,799,030	7,482,667
Government grants & subsidies	25	108,034,694	119,923,319
Fines		64,404	107,650
<b>Total revenue</b>		<b>151,334,301</b>	<b>155,425,803</b>
<b>Expenditure</b>			
Personnel	28	(47,036,796)	(44,482,107)
Remuneration of councillors	29	(4,548,686)	(4,447,485)
Depreciation and amortisation	32	(18,328,740)	(26,376,769)
Impairment loss/ Reversal of impairments	33	-	(1,347)
Finance costs	34	(2,861,584)	(2,027,332)
Debt impairment	30	(21,783,711)	(16,929,193)
Repairs and maintenance		(8,181,069)	(12,629,866)
Bulk purchases	37	(18,164,469)	(17,601,563)
Contracted services	36	(9,148,108)	(8,175,531)
General Expenses	27	(17,584,708)	(17,381,839)
<b>Total expenditure</b>		<b>(147,637,871)</b>	<b>(150,053,032)</b>
<b>Operating surplus</b>		<b>3,696,430</b>	<b>5,372,771</b>
<b>Surplus for the year</b>		<b>3,696,430</b>	<b>5,372,771</b>



## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	487,263,939	487,263,939
Adjustments		
Correction of errors	(92,528,687)	(92,528,687)
<b>Balance at July 01, 2012 as restated*</b>	<b>394,735,252</b>	<b>394,735,252</b>
Changes in net assets		
Surplus for the year	5,372,771	5,372,771
Total changes	5,372,771	5,372,771
Opening balance as previously reported	416,552,337	416,552,337
Adjustments		
Prior year adjustments	(72,986,472)	(72,986,472)
<b>Balance at July 01, 2013 as restated*</b>	<b>343,565,865</b>	<b>343,565,865</b>
Changes in net assets		
Surplus for the year	3,696,430	3,696,430
Total changes	3,696,430	3,696,430
<b>Balance at June 30, 2014</b>	<b>347,262,295</b>	<b>347,262,295</b>
Note(s)		

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
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## Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		19,395,480	32,828,899
Grants		110,684,798	118,995,399
Interest income		545,846	672,013
Other receipts		1,071,030	726,585
		131,697,154	153,222,896
<b>Payments</b>			
Employee costs		(52,513,413)	(48,929,592)
Suppliers		(20,025,414)	(48,141,795)
Finance costs		(2,861,584)	(2,027,332)
		(75,400,411)	(99,098,719)
<b>Net cash flows from operating activities</b>	38	<b>56,296,743</b>	<b>54,124,177</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(49,431,711)	(64,954,764)
Proceeds from sale of property, plant and equipment	4	-	287,131
Purchase of other intangible assets	5	-	(1,699)
Proceeds from sale of financial assets		43,083	129,149
<b>Net cash flows from investing activities</b>		<b>(49,388,628)</b>	<b>(64,540,183)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(806,518)	3,005,588
Finance lease payments		(440,998)	(406,020)
Other cash item		43,642	-
<b>Net cash flows from financing activities</b>		<b>(1,203,874)</b>	<b>2,599,568</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,704,241</b>	<b>(7,816,438)</b>
Cash and cash equivalents at the beginning of the year		(1,245,284)	6,571,154
<b>Cash and cash equivalents at the end of the year</b>	14	<b>4,458,957</b>	<b>(1,245,284)</b>

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	30,942,000	-	<b>30,942,000</b>	26,655,865	<b>(4,286,135)</b>
Rendering of services	-	-	-	481,344	<b>481,344</b>
Rental of facilities and equipment	1,771,000	-	<b>1,771,000</b>	-	<b>(1,771,000)</b>
Interest received (trading)	3,208,000	-	<b>3,208,000</b>	6,506,525	<b>3,298,525</b>
Licences and permits	24,000	-	<b>24,000</b>	16,995	<b>(7,005)</b>
Other income 1	2,670,000	-	<b>2,670,000</b>	989,631	<b>(1,680,369)</b>
Other income 2	-	-	-	239,967	<b>239,967</b>
Interest received - investment	665,000	-	<b>665,000</b>	545,846	<b>(119,154)</b>
<b>Total revenue from exchange transactions</b>	<b>39,280,000</b>	-	<b>39,280,000</b>	<b>35,436,173</b>	<b>(3,843,827)</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	7,005,000	-	<b>7,005,000</b>	7,799,030	<b>794,030</b>
Government grants & subsidies	61,710,000	-	<b>61,710,000</b>	108,034,694	<b>46,324,694</b>

##### Transfer revenue

Fines	210,000	-	<b>210,000</b>	64,404	<b>(145,596)</b>
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<b>Total revenue from non-exchange transactions</b>	<b>68,925,000</b>	-	<b>68,925,000</b>	<b>115,898,128</b>	<b>46,973,128</b>
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<b>Total revenue</b>	<b>108,205,000</b>	-	<b>108,205,000</b>	<b>151,334,301</b>	<b>43,129,301</b>
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#### Expenditure

Personnel	(43,156,000)	-	<b>(43,156,000)</b>	(47,036,796)	<b>(3,880,796)</b>
Remuneration of councillors	(4,112,000)	-	<b>(4,112,000)</b>	(4,548,686)	<b>(436,686)</b>
Depreciation and amortisation	(2,478,000)	-	<b>(2,478,000)</b>	(18,328,740)	<b>(15,850,740)</b>
Finance costs	(460,000)	-	<b>(460,000)</b>	(2,861,584)	<b>(2,401,584)</b>
Debt impairment	(11,455,000)	-	<b>(11,455,000)</b>	(21,783,711)	<b>(10,328,711)</b>
Repairs and maintenance	(10,033,759)	-	<b>(10,033,759)</b>	(8,181,069)	<b>1,852,690</b>
Bulk purchases	(13,546,000)	-	<b>(13,546,000)</b>	(18,164,469)	<b>(4,618,469)</b>
Contracted Services	(2,350,000)	-	<b>(2,350,000)</b>	(9,148,108)	<b>(6,798,108)</b>
General Expenses	(20,611,241)	-	<b>(20,611,241)</b>	(17,584,708)	<b>3,026,533</b>

<b>Total expenditure</b>	<b>(108,202,000)</b>	-	<b>(108,202,000)</b>	<b>(147,637,871)</b>	<b>(39,435,871)</b>
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<b>Surplus before taxation</b>	<b>3,000</b>	-	<b>3,000</b>	<b>3,696,430</b>	<b>3,693,430</b>
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<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>3,000</b>	-	<b>3,000</b>	<b>3,696,430</b>	<b>3,693,430</b>
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# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
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## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2014</b>											
<b>Financial Performance</b>											
Property rates	7,004,900	-	7,004,900	-		7,004,900	7,799,030		794,130	111 %	111 %
Service charges	30,942,225	-	30,942,225	-		30,942,225	26,655,865		(4,286,360)	86 %	86 %
Investment revenue	665,000	-	665,000	-		665,000	545,846		(119,154)	82 %	82 %
Transfers recognised - operational	61,709,850	-	61,709,850	-		61,709,850	59,289,984		(2,419,866)	96 %	96 %
Other own revenue	7,882,600	-	7,882,600	-		7,882,600	8,298,866		416,266	105 %	105 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>108,204,575</b>	<b>-</b>	<b>108,204,575</b>	<b>-</b>		<b>108,204,575</b>	<b>102,589,591</b>		<b>(5,614,984)</b>	<b>95 %</b>	<b>95 %</b>
Employee costs	(43,155,842)	-	(43,155,842)	-	-	(43,155,842)	(47,036,796)	-	(3,880,954)	109 %	109 %
Remuneration of councillors	(4,112,372)	-	(4,112,372)	-	-	(4,112,372)	(4,548,686)	-	(436,314)	111 %	111 %
Debt impairment	(11,454,579)	-	(11,454,579)			(11,454,579)	(21,783,711)	-	(10,329,132)	190 %	190 %
Depreciation and asset impairment	(2,478,000)	-	(2,478,000)			(2,478,000)	(18,328,740)	-	(15,850,740)	740 %	740 %
Finance charges	(460,000)	-	(460,000)	-	-	(460,000)	(2,861,584)	-	(2,401,584)	622 %	622 %
Materials and bulk purchases	(13,545,682)	-	(13,545,682)	-	-	(13,545,682)	(18,164,469)	-	(4,618,787)	134 %	134 %
Other expenditure	(32,995,100)	-	(32,995,100)	-	-	(32,995,100)	(34,913,885)	-	(1,918,785)	106 %	106 %
<b>Total expenditure</b>	<b>(108,201,575)</b>	<b>-</b>	<b>(108,201,575)</b>	<b>-</b>	<b>-</b>	<b>(108,201,575)</b>	<b>(147,637,871)</b>	<b>-</b>	<b>(39,436,296)</b>	<b>136 %</b>	<b>136 %</b>
<b>Surplus/(Deficit)</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>		<b>3,000</b>	<b>(45,048,280)</b>		<b>(45,051,280)</b>	<b>501,609 %</b>	<b>501,609 %</b>

## Phumelela Local Municipality

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### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	45,277,000	-	45,277,000	-		45,277,000	48,744,710		3,467,710	108 %	108 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>45,280,000</b>	<b>-</b>	<b>45,280,000</b>	<b>-</b>		<b>45,280,000</b>	<b>3,696,430</b>		<b>(41,583,570)</b>	<b>8 %</b>	<b>8 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>45,280,000</b>	<b>-</b>	<b>45,280,000</b>	<b>-</b>		<b>45,280,000</b>	<b>3,696,430</b>		<b>(41,583,570)</b>	<b>8 %</b>	<b>8 %</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	46,827,000	-	46,827,000	-		46,827,000	50,208,820		3,381,820	107 %	107 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	45,277,000	-	45,277,000	-		45,277,000	48,744,710		3,467,710	108 %	108 %
Internally generated funds	1,550,000	-	1,550,000	-		1,550,000	1,287,158		(262,842)	83 %	83 %
<b>Total sources of capital funds</b>	<b>46,827,000</b>	<b>-</b>	<b>46,827,000</b>	<b>-</b>		<b>46,827,000</b>	<b>50,031,868</b>		<b>3,204,868</b>	<b>107 %</b>	<b>107 %</b>

## Phumelela Local Municipality

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### Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	46,875,692	-	46,875,692	-		46,875,692	56,296,743		9,421,051	120 %	120 %
Net cash from (used) investing	(45,277,000)	-	(45,277,000)	-		(45,277,000)	(49,388,628)		(4,111,628)	109 %	109 %
Net cash from (used) financing	-	-	-	-		-	(1,203,874)		(1,203,874)	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,598,692</b>	<b>-</b>	<b>1,598,692</b>	<b>-</b>		<b>1,598,692</b>	<b>5,704,241</b>		<b>4,105,549</b>	<b>357 %</b>	<b>357 %</b>
Cash and cash equivalents at the beginning of the year	1,627	-	1,627	-		1,627	(1,245,284)		(1,246,911)	(76,539)%	(76,539)%
<b>Cash and cash equivalents at year end</b>	<b>1,600,319</b>	<b>-</b>	<b>1,600,319</b>	<b>-</b>		<b>1,600,319</b>	<b>4,458,957</b>		<b>(2,858,638)</b>	<b>279 %</b>	<b>279 %</b>

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

## Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>2013</b>				
<b>Financial Performance</b>				
Property rates				7,482,667
Service charges				22,592,369
Investment revenue				672,013
Transfers recognised - operational				59,448,849
Other own revenue				4,755,435
<b>Total revenue (excluding capital transfers and contributions)</b>				<b>94,951,333</b>
Employee costs	-	-	-	(44,482,107)
Remuneration of councillors	-	-	-	(4,447,485)
Debt impairment	-	-	-	(16,929,193)
Depreciation and asset impairment	-	-	-	(26,378,116)
Finance charges	-	-	-	(2,027,332)
Materials and bulk purchases	-	-	-	(17,601,563)
Other expenditure	-	-	-	(38,187,236)
<b>Total expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(150,053,032)</b>
<b>Surplus/(Deficit)</b>				<b>(55,101,699)</b>
Transfers recognised - capital				60,474,470
<b>Surplus (Deficit) after capital transfers and contributions</b>				<b>5,372,771</b>
<b>Surplus/(Deficit) for the year</b>				<b>5,372,771</b>
<b>Capital expenditure and funds sources</b>				
Total capital expenditure				60,428,373

## Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

### Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
<b>Cash flows</b>				
Net cash from (used) operating				54,124,177
Net cash from (used) investing				(64,540,183)
Net cash from (used) financing				2,599,568
<b>Net increase/(decrease) in cash and cash equivalents</b>				<b>(7,816,438)</b>
Cash and cash equivalents at the beginning of the year				6,571,154
<b>Cash and cash equivalents at year end</b>				<b>(1,245,284)</b>



# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

##### Impairment testing

The recoverable amounts of (service) cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the historical outcomes indicate future outcomes assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including level of risk, location, arrangements, supply demand, together with economic factors such as inflation and interest.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for the property plant and equipment and other assets. This estimate is based on on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### Other

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

## Accounting Policies

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### 1.4 Investment property (continued)

#### Cost model

Investment property is subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property. Depreciation starts from the date the investment property is available for use. Depreciation periods are as follows:

Item	Useful life
Property - land	indefinite
Buildings	15 - 50 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# Phumelela Local Municipality

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Financial Statements for the year ended June 30, 2014

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	indefinite
Buildings	15 - 50 years
Furniture and fixtures	5 - 10 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years
Infrastructure	
• Electricity	15 - 50 years
• Roads	30 years
• Water	20 years
• Sewerage	12 - 50 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

# Phumelela Local Municipality

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Financial Statements for the year ended June 30, 2014

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

### 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

# Phumelela Local Municipality

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Financial Statements for the year ended June 30, 2014

## Accounting Policies

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### 1.7 Heritage assets (continued)

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are initially measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

# Phumelela Local Municipality

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Financial Statements for the year ended June 30, 2014

## Accounting Policies

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### 1.8 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

# Phumelela Local Municipality

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Financial Statements for the year ended June 30, 2014

## Accounting Policies

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### 1.8 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Receivables from exchange transactions  
Receivables from non-exchange transactions  
Consumer Debtors  
Cash and cash equivalents  
Other financial liabilities

#### Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost  
Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

#### Class

Payables from exchange transactions  
Consumer deposits  
Finance lease obligation  
Other financial liabilities

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost  
Financial liability measured at amortised cost



## **Phumelela Local Municipality**

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### **Accounting Policies**

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#### **1.8 Financial instruments (continued)**

##### **Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

##### **Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Phumelela Local Municipality

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## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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### 1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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### 1.8 Financial instruments (continued)

#### Derecognition

##### Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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### 1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the municipality directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

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### 1.9 Leases (continued)

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) method. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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### 1.11 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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### 1.11 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



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### 1.11 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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### 1.11 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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### 1.12 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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### 1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
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### 1.14 Revenue from exchange transactions (continued)

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.16 Borrowing costs

### 1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

# Phumelela Local Municipality

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## Accounting Policies

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### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.21 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

## **Phumelela Local Municipality**

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### **Accounting Policies**

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#### **1.22 Budget information (continued)**

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2013 to 6/30/2014.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

#### **1.23 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### **1.24 Other accounting policy 1**



## Phumelela Local Municipality

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# Phumelela Local Municipality

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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 25: Employee benefits</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 1 (as revised 2012): Presentation of Financial Statements</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 7 (as revised 2012): Investments in Associates</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 9 (as revised 2012): Revenue from Exchange Transactions</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 12 (as revised 2012): Inventories</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 13 (as revised 2012): Leases</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 16 (as revised 2012): Investment Property</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 17 (as revised 2012): Property, Plant and Equipment</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements
<ul style="list-style-type: none"><li>IGRAP16: Intangible assets website costs</li></ul>	April 01, 2013	The standard does not have a material impact on the municipality's Annual Financial Statements

# Phumelela Local Municipality

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## Notes to the Financial Statements

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### 2. New standards and interpretations (continued)

- IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue April 01, 2013

The standard does not have a material impact on the municipality's Annual Financial Statements

# Phumelela Local Municipality

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## Notes to the Financial Statements

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### 3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20,895,811	(2,815,272)	18,080,539	20,895,811	(2,231,057)	18,664,754

#### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	18,664,754	(584,215)	18,080,539

#### Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	20,895,811	(2,231,057)	18,664,754

#### Pledged as security

No Investment Property assets were pledged as security

### 4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	33,340,899	(59,259)	33,281,640	33,340,899	-	33,340,899
Buildings	50,584,709	(13,710,919)	36,873,790	50,414,710	(11,392,969)	39,021,741
Plant and machinery	9,316,041	(7,205,975)	2,110,066	9,251,974	(6,579,411)	2,672,563
Furniture and fixtures	3,198,603	(2,426,798)	771,805	3,192,904	(2,212,602)	980,302
Motor vehicles	4,252,473	(2,991,195)	1,261,278	4,252,473	(2,634,424)	1,618,049
IT equipment	2,248,177	(1,485,346)	762,831	2,157,624	(1,190,466)	967,158
Infrastructure	167,681,931	(38,100,760)	129,581,171	167,681,931	(30,669,976)	137,011,955
Community	15,729,698	-	15,729,698	15,729,698	-	15,729,698
Landfill Sites	11,528,192	(7,692,487)	3,835,705	11,528,192	(6,410,405)	5,117,787
Electricity Network	4,084,290	(1,104,795)	2,979,495	4,084,290	(919,124)	3,165,166
Sewerage Network	66,084,713	(12,524,590)	53,560,123	66,084,713	(10,383,176)	55,701,537
Leased IT Equipment	85,657	(68,696)	16,961	85,657	(60,888)	24,769
Leased IT Furniture	1,782,511	(1,085,133)	697,378	1,782,511	(905,203)	877,308
Water network	134,060,467	(23,452,467)	110,608,000	112,053,208	(19,240,472)	92,812,736
Work in Progress	41,491,466	-	41,491,466	67,128,893	-	67,128,893
<b>Total</b>	<b>545,469,827</b>	<b>(111,908,420)</b>	<b>433,561,407</b>	<b>548,769,677</b>	<b>(92,599,116)</b>	<b>456,170,561</b>

# Phumelela Local Municipality

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### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	33,340,899	-	-	-	(59,259)	33,281,640
Buildings	39,021,741	-	170,000	(2,317,951)	-	36,873,790
Plant and machinery	2,672,563	64,067	-	(626,304)	(260)	2,110,066
Furniture and fixtures	980,302	5,698	-	(214,166)	(29)	771,805
Motor vehicles	1,618,049	-	-	(356,771)	-	1,261,278
IT equipment	967,158	90,553	-	(294,880)	-	762,831
Roads Infrastructure	137,011,955	-	-	(6,434,106)	(996,678)	129,581,171
Community	15,729,698	-	-	-	-	15,729,698
Landfil site	5,117,787	-	-	(1,282,082)	-	3,835,705
Electricity network	3,165,166	-	-	(183,742)	(1,929)	2,979,495
Sewerage network	55,701,537	-	-	(2,137,564)	(3,850)	53,560,123
Leased IT Equipment	24,769	-	-	(7,808)	-	16,961
Leased IT furniture	877,308	-	-	(179,930)	-	697,378
Water network	92,812,736	15,325,040	6,678,697	(4,208,473)	-	110,608,000
Work in Progress	67,128,893	33,946,353	(59,583,780)	-	-	41,491,466
	<b>456,170,561</b>	<b>49,431,711</b>	<b>(52,735,083)</b>	<b>(18,243,777)</b>	<b>(1,062,005)</b>	<b>433,561,407</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Land	33,340,899	-	-	33,340,899
Buildings	41,163,865	-	(2,142,124)	39,021,741
Plant and machinery	1,264,766	2,061,417	(653,620)	2,672,563
Furniture and fixtures	813,691	420,010	(253,399)	980,302
Motor vehicles	500,446	1,366,261	(248,658)	1,618,049
IT equipment	684,015	671,562	(388,419)	967,158
Roads Infrastructure	128,547,523	14,664,983	(6,200,551)	137,011,955
Community	15,729,698	-	-	15,729,698
Landfil Site	6,399,868	-	(1,282,081)	5,117,787
Electricity network	3,348,906	-	(183,740)	3,165,166
Sewerage network	57,839,100	-	(2,137,563)	55,701,537
Leased It Equipment	41,265	-	(16,496)	24,769
Leased IT Furniture	1,228,039	-	(350,731)	877,308
Water network	96,694,151	-	(3,881,415)	92,812,736
Work in Progress	21,358,362	45,770,531	-	67,128,893
	<b>408,954,594</b>	<b>64,954,764</b>	<b>(17,738,797)</b>	<b>456,170,561</b>

#### Pledged as security

None of the assets have been pledged as security.

#### Assets subject to finance lease (Net carrying amount)

IT Equipment	16,961	24,769
Furniture and Fixtures	697,378	877,308
	<b>714,339</b>	<b>902,077</b>

# Phumelela Local Municipality

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### 5. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets 1	149,070	(101,376)	47,694	149,070	(101,376)	47,694

#### Pledged as security

Carrying value of intangible assets pledged as security:

None of the assets have been pledged as security

### 6. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	2,010	-	2,010	2,010	-	2,010

#### Reconciliation of heritage assets 2014

	Opening balance	Total
Art Collections, antiquities and exhibits	2,010	2,010

#### Reconciliation of heritage assets 2013

	Opening balance	Total
Art Collections, antiquities and exhibits	2,010	2,010

### 7. Other financial assets

#### Designated at fair value

Unlisted Shares	490,901	533,984
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#### Non-current assets

Designated at fair value	490,901	533,984
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## Phumelela Local Municipality

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#### 7. Other financial assets (continued)

##### Financial assets at fair value

##### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

##### Level 2

VKB Agricultural Limited	490,901	533,984
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# Phumelela Local Municipality

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### 8. Employee benefit obligations

#### Defined benefit plan

It is the policy of the municipality to provide retirement benefits to all its employees who elect to participate in the different available schemes. A number of defined contribution provident funds, all of which are subject to Pensions Fund Act, exist for this purpose. The majority of employees belong to three different benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation was dated 30 June 2014.

#### Post retirement medical aid plan

The municipality contributes on a monthly basis to the following medical aid scheme.

KeyHealth  
LA Health  
Bonitas  
Hosmed  
Fed Health  
Samwumed  
Membership data

The number of employees entitled to receive post-employment medical scheme subsidy are:

#### Current Employees

	Male	Female	Total
Number of active employees	43	29	72
Average Age	40.6	41.0	40.8
Average past service	9.8	10.0	9.9
Number of spouses	9	8	17
Average monthly subsidy	R1,040	R1,150	R1,090

#### Continuation Members

The table below provides a summary of details for continuation members.

	Male	Female	Total
Number of continuation members	3	7	10
Average Age	82.7	76.0	78.1
Average Monthly Subsidy	R2, 260	R2, 120	R2, 160

#### Valuation Method

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

#### Post-employment Medical Aid Liabilities

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

Valuation of AssetsThe municipality contributes on a monthly basis to the following medical aid scheme.

KeyHealth  
LA Health  
Bonitas  
Hosmed  
Fed Health  
Samwumed



# Phumelela Local Municipality

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### 8. Employee benefit obligations (continued)

#### Membership data

The number of employees entitled to receive post-employment medical scheme subsidy are:

#### Current Employees

	Male	Female	Total
Number of active employees	43	29	72
Average Age	40.6	41.0	40.8
Average past service	9.8	10.0	9.9
Number of spouses	9	8	17
Average monthly subsidy	R1,040	R1,150	R1,090

#### Continuation Members

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#### Valuation Method

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#### Valuation of Assets

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

#### The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(6,332,000)	(6,360,000)
Present value of the long term service award	(3,334,000)	(1,837,000)
	<b>(9,666,000)</b>	<b>(8,197,000)</b>

#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	(6,360,000)	(2,040,000)
Benefits paid	260,000	252,000
Net expense recognised in the statement of financial performance	(232,000)	(4,572,000)
	<b>(6,332,000)</b>	<b>(6,360,000)</b>

## Phumelela Local Municipality

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### Notes to the Financial Statements

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<b>8. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	(324,000)	-
Interest cost	(505,000)	(159,000)
Actuarial (gains) losses	597,000	(4,413,000)
	<b>(232,000)</b>	<b>(4,572,000)</b>

# Phumelela Local Municipality

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## Notes to the Financial Statements

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### 8. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.94 %	7.89 %
Consumer Inflation Rate	7.05 %	6.14 %
Medical Aid Contribution Inflation	8.05 %	7.14 %
Net Effective Rate	0.82 %	0.70 %

The discount rate was set as the yield of the R209 South African government bond as at the valuation date

#### Medical Aid Inflation

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. The Municipality have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional government bond yields (R209) and current index-linked bond yields (R202)

#### Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements.

#### Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

#### Spouses and Dependants

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases:

#### Withdrawal

#### Sensitivity Analysis

The following assumptions:

A 20% increase/decrease in the assumed level of mortality;

A 1% increase/decrease in the Medical Aid inflation.

#### Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% mortality rate	Valuation Assumption	+20% Mortality Rate
Total Accrued Liability	6,975,000	6,332,000	5,813,000
Interest Cost	624,000	566,000	518,000
Service Cost	291,000	266,000	245,000

#### Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

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### 8. Employee benefit obligations (continued)

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical Inflation rate	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	5,816,000	6,332,000	6,782,000
Interest Cost	518,000	566,000	607,000
Service Cost	240,000	266,000	287,000

### 9. Inventories

Consumable stores	577,683	664,570
Water	34,638	28,442
	<b>612,321</b>	<b>693,012</b>

#### 9.1 Non - Financial information - Quantities of each agricultural produce

Kilolitres of Water	13,426	11,024
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Inventories recognised as an expense during the year	80,691	-
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#### Inventory pledged as security

None of the inventories were pledged as security.

### 10. Receivables from exchange transactions

Trade debtors	360,938	6,455
Deposits	35,163	37,566
	<b>396,101</b>	<b>44,021</b>

#### Credit quality of receivables from exchange transactions

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### 11. Receivables from non-exchange transactions

Other taxes	335,547	3,918,121
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#### Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

### 12. VAT receivable

VAT	3,205,315	679,523
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# Phumelela Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>13. Consumer debtors</b>		
<b>Gross balances</b>		
Electricity	4,238,731	3,514,163
Water	26,623,052	21,642,489
Sewerage	30,181,221	23,704,457
Refuse	32,213,356	25,592,268
Business service levies	2,596,970	2,246,458
	<b>95,853,330</b>	<b>76,699,835</b>
<b>Less: Allowance for impairment</b>		
Electricity	(3,047,366)	(3,245,918)
Water	(25,956,182)	(21,431,957)
Sewerage	(29,742,862)	(23,390,724)
Refuse	(32,122,224)	(25,363,080)
Business service levies	(306,088)	(2,077,880)
	<b>(91,174,722)</b>	<b>(75,509,559)</b>
<b>Net balance</b>		
Electricity	1,191,365	268,245
Water	666,870	210,532
Sewerage	438,359	313,733
Refuse	91,132	229,188
Business service levies	2,290,882	168,578
	<b>4,678,608</b>	<b>1,190,276</b>
<b>Electricity</b>		
Current (0 -30 days)	366,557	24,810
31 - 60 days	376,677	111,173
61 - 90 days	246,309	72,696
91 - 120 days	201,822	59,566
	<b>1,191,365</b>	<b>268,245</b>
<b>Water</b>		
Current (0 -30 days)	139,636	(42,207)
31 - 60 days	40,492	19,421
61 - 90 days	41,502	19,890
91 - 120 days	47,256	22,645
121 - 365 days	397,984	190,783
	<b>666,870</b>	<b>210,532</b>
<b>Sewerage</b>		
Current (0 -30 days)	132,092	94,538
31 - 60 days	46,327	33,156
61 - 90 days	29,290	20,963
91 - 120 days	23,373	16,728
121 - 365 days	207,277	148,348
	<b>438,359</b>	<b>313,733</b>

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Figures in Rand	2014	2013
<b>13. Consumer debtors (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	(2,087)	(5,248)
31 - 60 days	10,672	26,838
61 - 90 days	6,627	16,665
91 - 120 days	5,262	13,234
121 - 365 days	70,658	177,699
	<b>91,132</b>	<b>229,188</b>
<b>Business service levies</b>		
Current (0 -30 days)	1,993,286	146,679
31 - 60 days	2,113,987	155,561
61 - 90 days	1,366,663	100,568
91 - 120 days	1,541,627	113,443
121 - 365 days	(4,724,681)	(347,673)
	<b>2,290,882</b>	<b>168,578</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(75,509,559)	(59,580,631)
Contributions to allowance	(17,105,239)	(16,618,192)
Debt impairment written off against allowance	1,440,076	689,264
	<b>(91,174,722)</b>	<b>(75,509,559)</b>
<b>Consumer debtors pledged as security</b>		
None of the consumer receivables were pledged as security.		
<b>Credit quality of consumer debtors</b>		
The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
<b>14. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	64,129	20,048
Bank balances	1,485,338	-
Short-term deposits	2,909,490	687,723
Bank overdraft	-	(1,953,055)
	<b>4,458,957</b>	<b>(1,245,284)</b>
Current assets	4,458,957	707,771
Current liabilities	-	(1,953,055)
	<b>4,458,957</b>	<b>(1,245,284)</b>

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### 14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014	June 30, 2013	June 30, 2012
Absa Bank - Current Account	1,635,392	878,150	1,349,663	1,485,338	(1,953,055)	1,349,663
Absa Bank - Grants Call Account	2,844,307	577,675	11,000	2,844,307	577,675	11,000
Absa Bank - Call Account	9,008	4,661	17,303	9,008	4,661	17,303
Absa Bank - Medium Term Deposit	-	-	4,241,449	-	-	4,241,449
First National Bank - 7 Day Interest Plus	4,481	4,481	509,159	4,481	4,481	509,159
First National Bank - Current Account	51,694	100,906	374,083	51,694	100,906	374,083
<b>Total</b>	<b>4,544,882</b>	<b>1,565,873</b>	<b>6,502,657</b>	<b>4,394,828</b>	<b>(1,265,332)</b>	<b>6,502,657</b>

### 15. Finance lease obligation

<b>Minimum lease payments due</b>		
- within one year	533,005	529,364
- in second to fifth year inclusive	310,020	837,313
	843,025	1,366,677
less: future finance charges	(60,536)	(143,190)
<b>Present value of minimum lease payments</b>	<b>782,489</b>	<b>1,223,487</b>
<b>Present value of minimum lease payments due</b>		
- within one year	480,664	442,337
- in second to fifth year inclusive	301,825	781,150
	<b>782,489</b>	<b>1,223,487</b>
Non-current liabilities	301,825	781,150
Current liabilities	480,664	442,337
	<b>782,489</b>	<b>1,223,487</b>

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2013: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

# Phumelela Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>16. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Integrated National Electrification Programme Grant	-	593,485
Municipal Systems Improvement Grant	467,203	-
Expanded Public Works Programme Grant	364,813	-
DWA - Accelerated Community Infrastructure Programme Grant	2,411,573	-
COGTA - Water Treatment Plant Warden	313,220	313,220
	<b>3,556,809</b>	<b>906,705</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	906,705	1,834,296
Additions during the year	110,684,798	118,995,399
Income recognition during the year	(108,034,694)	(119,922,990)
	<b>3,556,809</b>	<b>906,705</b>
See note 24 for reconciliation of grants from National/Provincial Government.		
<b>17. Other financial liabilities</b>		
<b>At amortised cost</b>		
ABSA term loan	2,536,233	3,136,149
5 year loan, interest rate 10.60%, final payment date 31 October 2017		
DBSA Loan - 11193	917,750	1,012,948
20 year loan, interest rate 17%, redemption date 30 September 2019		
DBSA Loan - 10349	177,177	223,756
20 years loan, Interest ate 12%, redemption date 31 March 2017		
DBSA Loan - 12325	44,276	86,251
30 years loan, interest rate 12.60%, redemption date 31 December 2015		
DBSA Loan - 12324	24,175	47,025
30 years loan, Interest rate13.45%, redemption date 31 December 2015		
	<b>3,699,611</b>	<b>4,506,129</b>
<b>Total other financial liabilities</b>	<b>3,699,611</b>	<b>4,506,129</b>
<b>Non-current liabilities</b>		
At amortised cost	2,848,532	3,719,794
<b>Current liabilities</b>		
At amortised cost	851,079	786,335



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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 18. Provisions

#### Reconciliation of provisions - 2014

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	7,115,134	567,322	7,682,456

#### Reconciliation of provisions - 2013

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	6,494,619	620,515	7,115,134

There are three existing waste disposal sites, one in each town of Vrede, Memel and Warden. The waste disposal sites have to be closed due to them being unsuitable sites for waste disposal. A provision has been recognised to account for the closure cost estimate for both landfill sites.

The lifespan of the sites and the estimated closing dates are as follows:

Vrede - life span of 12 years, estimated closing date is 2014

Memel - life span of 8 years, estimated closing date is 2015

Warden - estimated closing date 2015

### 19. Payables from exchange transactions

Trade payables	70,568,620	40,528,375
Payments received in advanced - contract in process	-	965,734
Unallocated Receipts and Deposits	19,300,160	12,611,878
Accrued leave pay	3,017,442	4,214,682
Accrued Salary Expense	46,085	45,340
Deposits received	56,107	43,965
	<b>92,988,414</b>	<b>58,409,974</b>

### 20. Consumer deposits

Water	231,326	232,220
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### 21. Financial instruments disclosure

#### Categories of financial instruments

#### 2014

#### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	490,901	-	490,901
Trade and other receivables from exchange transactions	-	1,695,297	1,695,297
Other receivables from non-exchange transactions	-	335,547	335,547
Consumer debtors	-	4,678,609	4,678,609
Cash and cash equivalents	-	4,458,957	4,458,957
	<b>490,901</b>	<b>11,168,410</b>	<b>11,659,311</b>

#### Financial liabilities

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## Notes to the Financial Statements

Figures in Rand 2014 2013

### Financial instruments disclosure (continued)

	At amortised cost	At cost	Total
Other financial liabilities	3,699,611	-	3,699,611
Trade and other payables from exchange transactions	94,453,550	-	94,453,550
Finance Lease Obligation	693,256	-	693,256
Consumer deposits	-	231,326	231,326
	<b>98,846,417</b>	<b>231,326</b>	<b>99,077,743</b>

### 2013

#### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	538,984	-	538,984
Trade and other receivables from exchange transactions	-	1,343,216	1,343,216
Other receivables from non-exchange transactions	-	3,918,121	3,918,121
Consumer debtors	-	1,190,276	1,190,276
Cash and cash equivalents	707,771	-	707,771
VAT Receivable	1,153,217	-	1,153,217
	<b>2,399,972</b>	<b>6,451,613</b>	<b>8,851,585</b>

#### Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	4,506,129	-	4,506,129
Trade and other payables from exchange transactions	-	59,871,310	-	59,871,310
Finance Lease Obligation	-	1,223,487	-	1,223,487
Bank overdraft	1,953,055	-	-	1,953,055
Consumer Deposits	-	-	232,222	232,222
	<b>1,953,055</b>	<b>65,600,926</b>	<b>232,222</b>	<b>67,786,203</b>

### 22. Revenue

Rendering of services	481,344	379,204
Service charges	26,655,865	22,592,369
Interest received (trading)	6,506,525	3,539,175
Licences and permits	16,995	16,977
Other income	989,631	601,958
Other income 2	239,967	110,471
Interest received - investment	545,846	672,013
Property rates	7,799,030	7,482,667
Government grants & subsidies	108,034,694	119,923,319
Fines	64,404	107,650
	<b>151,334,301</b>	<b>155,425,803</b>

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### 22. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	26,655,865	22,592,369
Rendering of services	481,344	379,204
Interest received (trading)	6,506,525	3,539,175
Licences and permits	16,995	16,977
Rental of Facilities and Equipment	989,631	601,958
Other income	239,967	110,471
Interest received - investment	545,846	672,013
	<b>35,436,173</b>	<b>27,912,167</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

Property rates	7,799,030	7,482,667
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#### Transfer revenue

Government grants & subsidies	108,034,694	119,923,319
Fines	64,404	107,650

**115,898,128 127,513,636**

### 23. Property rates

#### Rates received

Residential	2,886,825	2,865,481
Small holdings and farms	4,912,205	4,617,186
	<b>7,799,030</b>	<b>7,482,667</b>

#### Valuations

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2009.

The new general valuation will be implemented on 01 July 2014.

### 24. Service charges

Sale of electricity	7,062,392	6,797,406
Sale of water	5,692,286	4,165,825
Solid waste	6,869,139	5,986,906
Sewerage and sanitation charges	7,032,048	5,642,232
	<b>26,655,865</b>	<b>22,592,369</b>

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Figures in Rand	2014	2013
<b>25. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	56,312,000	56,039,000
Financial Management Grant	1,650,000	1,500,000
Municipal Systems Improvement Grant	422,797	800,328
COGTA - Provincial Infrastructure Grant	-	506,674
COGTA - Social Development Grant	-	602,847
Thabo Mofutsanyana Grant	270,000	-
Expanded Public Works Programme Grant	635,187	-
	<b>59,289,984</b>	<b>59,448,849</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	25,277,000	26,624,000
Integrated National Electrification Grant	593,485	2,818,071
Regional Bulk Infrastructure Grant	22,874,225	31,032,399
	<b>48,744,710</b>	<b>60,474,470</b>
	<b>108,034,694</b>	<b>119,923,319</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	51,129,209	62,774,798
Unconditional grants received	56,312,000	57,148,521
	<b>107,441,209</b>	<b>119,923,319</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Municipal Infrastructure Grant

Current-year receipts	25,277,000	26,624,000
Conditions met - transferred to revenue	(25,277,000)	(26,624,000)
	-	-

To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

### Financial Management Grant

Current-year receipts	1,650,000	1,500,000
Conditions met - transferred to revenue	(1,650,000)	(1,500,000)
	-	-

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

### Integrated National Electrification Grant

Balance unspent at beginning of year	593,485	593,485
Conditions met - transferred to revenue	(593,485)	-
	-	<b>593,485</b>

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### Notes to the Financial Statements

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#### 25. Government grants and subsidies (continued)

##### Municipal Systems Improvement Grant

Current-year receipts	890,000	-
Conditions met - transferred to revenue	(422,797)	-
	<b>467,203</b>	-

Conditions still to be met - remain liabilities (see note 16).

To assist municipalities to perform their functions and stabilize institutional and governance systems as required in the Municipal Systems Act and related legislation.

##### COGTA - Social Development Grant

Current-year receipts	-	602,847
Conditions met - transferred to revenue	-	(602,847)
	-	-

To enhance social development in the area.

##### Thabo Mofutsanyana Grant

Current-year receipts	270,000	-
Conditions met - transferred to revenue	(270,000)	-
	-	-

To assist with the completion of the oxidation ponds in Memel.

##### Expanded Public Works Programme Grant

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(635,187)	-
	<b>364,813</b>	-

Conditions still to be met - remain liabilities (see note 16).

##### Accelerated Community Infrastructure Grant

Current-year receipts	2,411,573	-
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Conditions still to be met - remain liabilities (see note 16).

Acceleration of the bucket eradication programmes in municipalities.

##### COGTA - Provincial Infrastructure Grant

Balance unspent at beginning of year	313,220	313,220
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Conditions still to be met - remain liabilities (see note 16).

To facilitate turnaround in the budgets for education, health & roads infrastructure.

## Phumelela Local Municipality

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### Notes to the Financial Statements

Figures in Rand	2014	2013
<b>26. Other revenue</b>		
Rental of Facilities	989,631	601,958
Other income 2	239,967	110,471
	<b>1,229,598</b>	<b>712,429</b>
<b>27. General expenses</b>		
Advertising	157,294	212,510
Auditors remuneration	3,028,544	1,561,342
Bank charges	248,369	325,714
Consumables	330,633	369,620
Entertainment	13,037	43,492
Flowers	111	350
Gifts	29,768	24,254
Hire	862,448	1,106,141
Insurance	645,269	537,989
Community development and training	378,812	390,468
Conferences and seminars	210,525	78,949
Lease rentals on operating lease	1,025,332	678,774
Magazines, books and periodicals	472,093	-
Motor vehicle expenses	24,275	-
Fuel and oil	1,084,380	1,326,613
Postage and courier	57,034	101,450
Printing and stationery	840,818	735,294
Protective clothing	124,548	212,999
Royalties and license fees	5,000	9,920
Subscriptions and membership fees	-	647,974
Telephone and fax	1,710,417	1,850,819
Training	44,608	244,809
Travel - local	2,684,997	3,042,342
Refuse	71,200	269,593
Title deed search fees	1,928	-
Operational Grants Expenditure	2,018,084	2,286,939
Chemicals	1,495,372	1,284,354
Other expenses	19,812	39,130
	<b>17,584,708</b>	<b>17,381,839</b>

# Phumelela Local Municipality

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## Notes to the Financial Statements

Figures in Rand 2014 2013

### 28. Employee related costs

Basic	25,883,288	23,203,903
Medical aid - Employer contributions	1,437,396	5,133,787
UIF	327,862	284,120
SDL	386,977	312,345
Other payroll levies	48,977	26,637
Leave pay provision charge	(927,931)	1,468,691
Defined contribution plans	4,619,620	3,712,524
Overtime payments	2,651,024	1,775,512
Long-service awards	1,696,649	777,820
13th Cheques	2,207,870	1,867,640
Acting allowances	438,552	208,673
Car allowance	2,036,491	996,063
Housing benefits and allowances	16,318	34,500
Occupational Allowance	318,662	228,238
Standby Allowance	246,259	206,101
	<b>41,388,014</b>	<b>40,236,554</b>

### Remuneration of municipal manager - BW Kannemeyer

Annual Remuneration	811,783	-
Car Allowance	431,380	-
Contributions to UIF, Medical and Pension Funds	13,430	-
Other	130,394	-
	<b>1,386,987</b>	<b>-</b>

Appointed 01 July 2014.

### Remuneration of Former Chief Financial Officer - TM Moremi

Annual Remuneration	304,525	611,432
Car Allowance	193,938	378,481
Contributions to UIF, Medical and Pension Funds	71,870	145,355
Other	243,622	302,245
	<b>813,955</b>	<b>1,437,513</b>

Chief Financial Officer - January 2011 - April 2012

Municipal Manager - May 2012 - June 2013

Chief Financial Officer - July 2013 - February 2014

### Remuneration of Chief Financial Officer - SA Nyapholi

Annual Remuneration	582,565	372,962
Car Allowance	132,150	126,724
13th Cheque	48,285	21,298
Contributions to UIF, Medical and Pension Funds	115,424	111,183
Other	239,213	268,176
	<b>1,117,637</b>	<b>900,343</b>

Supply Chain Manager - May 2012 - December 2012

Financial Manager - January 2013 - May 2014

Chief Financial Officer - June 2014

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## Notes to the Financial Statements

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### 28. Employee related costs (continued)

#### Remuneration of Former Director Corporate Services - LJ Ralebenya

Annual Remuneration	-	77,101
Car Allowance	-	53,549
Contributions to UIF, Medical and Pension Funds	-	2,160
Other	-	119,638
	-	<b>252,448</b>

The employment Contract ended in September 2012

#### Remuneration of The Director - Corporate Services - NF Malatjie

Annual Remuneration	571,569	-
Car Allowance	337,136	-
Contributions to UIF, Medical and Pension Funds	80,075	-
Other	101,508	-
	<b>1,090,288</b>	-

Appointed 1 July 2013

#### Remuneration of Former Director Technical Services - LH Mthembu

Annual Remuneration	-	375,904
Car Allowance	-	166,907
Contributions to UIF, Medical and Pension Funds	-	7,357
Other	-	149,656
	-	<b>699,824</b>

The employment contract ended in February 2013.

Appointed Unit Manager in March 2013.

#### Remuneration of The Director Technical Services - NB Thobela

Annual Remuneration	572,592	326,031
Car Allowance	314,708	176,400
Contributions to UIF, Medical and Pension Funds	53,482	6,725
Other	299,133	446,269
	<b>1,239,915</b>	<b>955,425</b>

Project Management Unit Manager until June 2013.

Acting Director - Technical Services - March 2013 - June 2013

Appointed Director Technical Services - 01 July 2013

### 29. Remuneration of councillors

Mayor	671,383	671,417
Speaker	496,325	565,249
Councillors	3,380,978	3,210,819
	<b>4,548,686</b>	<b>4,447,485</b>



# Phumelela Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>29. Remuneration of councillors (continued)</b>		
<b>In-kind benefits</b>		
The Mayor, and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicle for official duties.		
The Mayor has one full-time bodyguard .		
<b>30. Debt impairment</b>		
Contributions to debt impairment provision	21,783,711	16,929,193
<b>31. Investment revenue</b>		
<b>Interest revenue</b>		
Other financial asset 1	377,454	640,988
Bank	168,392	31,025
	<b>545,846</b>	<b>672,013</b>
<b>32. Depreciation and amortisation</b>		
Property, plant and equipment	17,744,525	25,762,070
Investment property	584,215	557,095
Intangible assets	-	57,604
	<b>18,328,740</b>	<b>26,376,769</b>
<b>33. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	1,347
<b>34. Finance costs</b>		
Non-current borrowings	386,329	217,927
Trade and other payables	1,598,444	789,714
Fair value adjustments: Notional interest	-	159,000
Fair value adjustments on payables	567,322	620,515
ABSA Term Loan	309,489	240,176
	<b>2,861,584</b>	<b>2,027,332</b>
<b>35. Auditors' remuneration</b>		
Fees	3,028,544	1,561,342
<b>36. Contracted services</b>		
Information Technology Services	-	521,048
Fleet Services	64,171	145,273
Specialist Services	5,129,476	4,201,772
Other Contractors	3,954,461	3,307,438
	<b>9,148,108</b>	<b>8,175,531</b>

# Phumelela Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>37. Bulk purchases</b>		
Electricity	16,976,242	14,716,467
Water	1,188,227	2,885,096
	<b>18,164,469</b>	<b>17,601,563</b>
<b>38. Cash generated from operations</b>		
Surplus	3,696,430	5,372,771
<b>Adjustments for:</b>		
Depreciation and amortisation	18,328,740	26,376,769
Impairment deficit	-	1,347
Debt impairment	21,783,711	16,929,193
Movements in retirement benefit assets and liabilities	1,469,000	4,779,000
Movements in provisions	567,322	620,515
Other non-cash items	(2,289,455)	(602,580)
<b>Changes in working capital:</b>		
Inventories	80,691	191,104
Receivables from exchange transactions	(352,080)	1,286,817
Consumer debtors	(25,272,043)	(17,692,226)
Other receivables from non-exchange transactions	3,582,574	(1,345,694)
Payables from exchange transactions	34,578,435	17,166,291
VAT	(2,525,792)	1,319,812
Unspent conditional grants and receipts	2,650,104	(274,342)
Consumer deposits	(894)	(4,600)
	<b>56,296,743</b>	<b>54,124,177</b>
<b>39. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Property, plant and equipment	4,267,585	9,427,145
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	-	20,528,685
This committed expenditure relates to Property plant and equipment and will be financed by conditional grants from the National Treasury.		
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	1,444,169	1,317,218
- in second to fifth year inclusive	1,260	1,200
	<b>1,445,429</b>	<b>1,318,418</b>

Certain of the municipality's properties are held to generate rental income. Rental of equipment is expected to generate rental yields of 10% on an ongoing basis. Lease agreements are non-cancellable and have an average of 2 years. There are no contingent rents receivable.

# Phumelela Local Municipality

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## Notes to the Financial Statements

Figures in Rand

2014

2013

### 40. Contingencies

Litigation is in process against the municipality relating to services rendered by a service provider of the municipality. The claim being made by the plaintiff amounts to R2,932,109, and the estimated legal costs amounts to R90 000. The possibility of the municipality incurring a liability on this litigation is 20 percent. There is no possibility of any reimbursements.

The municipality managed 2 landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No.59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community.

### 2013

Litigation is in process against the municipality relating to services rendered by a service provider of the municipality. The claim being made, by the plaintiff amounts to R2 932 109, and the estimated legal costs amount to R90 000. The possibility of the municipality incurring a liability on this litigation is 20%. There is no possibility of any reimbursement.

The municipality has three dumping sites which are not registered under the National Environmental Waste Act No59 of 2008. The possible loss which could be incurred by the municipality amounts to R10 000 000.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable / payable for employees wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable / payable prior to the outcome of the pending litigation.

### 41. Related parties

#### Relationships

Close family member of a finance personnel  
Councillor with significant influence

Marlise Houman  
TN Masiteng

#### Related party transactions

#### Purchases from related parties

Mantsa Tlala cc	2,400	-
Iphumule Dikeledi Funeral Services	-	310,000

### 42. Prior period errors

During the current financial year errors were identified on the assets register compiled that had to comply with GRAP 17 assets register to be effective and implemented during 2010/11 when the provisional period expired. The correction of material errors below is to the best of management knowledge as identified to address previous omission or errors within the final asset registers in the current financial year.

The correction of the error(s) results in adjustments as follows:

# Phumelela Local Municipality

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Financial Statements for the year ended June 30, 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>42. Prior period errors (continued)</b>		
<b>Statement of financial position - 2011/12</b>		
Decrease in land cost	-	(5,758,000)
Decrease in accumulating depreciation - Buildings	-	3,783
Decrease in landfill site cost	-	(23,560,750)
Decrease in accumulating depreciation - landfill site	-	16,091,089
Increase in accumulating depreciation - Roads	-	(4,108,571)
Decrease in cost - Roads	-	(2,025,281)
Decrease in accumulating depreciation - Water	-	3,985,079
Decrease in Cost of water infrastructure	-	(1,555,219)
Increase in Cost of Electricity infrastructure	-	396
	-	<b>(16,927,474)</b>
<b>Statement of Financial Performance - 2012/13</b>		
Decrease in depreciation	-	15,971,379
<b>Effect on Accumulated Surplus/(Deficit)</b>		
Increase in accumulated surplus/(deficit)	-	16,927,474
<b>Statement of financial position - 2012/13</b>		
Decrease in buildings balance	-	12,079,402
Decrease in community assets	-	2,856,753
Decrease in debtors	-	356
Decrease in electricity balance	-	2,090,708
Decrease in financial assets	-	5,000
Decrease in furniture balance	-	565,534
Decrease in IT equipment	-	84,054
Decrease in landfill sites	-	13,198,200
Decrease in leased IT equipment balance	-	6,376
Decrease in leased IT furniture	-	113,606
Decrease in motor vehicles balance	-	1,627,740
Decrease in operating lease liability	-	(659,921)
Decrease in plant and machinery balance	-	376,715
Decrease in roads balance	-	14,607,012
Decrease in sewerage balance	-	9,385,133
Decrease in stand deposits balance	-	(1,461,337)
Decrease in sundry accruals	-	1,299,195
Decrease in VAT receivable	-	473,694
Decrease in water balance	-	41,441,818
Decrease in work in progress	-	12,673,856
Increase in buildings balance	-	(1,152,916)
Increase in creditors	-	(2,273,164)
Increase in electricity	-	(11,694)
Decrease in financial assets	-	240,176
Increase in land balance	-	(29,048,473)
Increase in motor vehicles balance	-	(347,188)
Increase in sewerage balance	-	(671)
Increase in sewerage balance	-	(1,128,495)
Increase in sundry creditors	-	10,092,625
Increase in water balance	-	(2,898,522)
Decrease in VAT receivable	-	(8,920)
Decrease in WIP	-	(5,632,291)
	-	<b>78,594,361</b>

# Phumelela Local Municipality

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Financial Statements for the year ended June 30, 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
<b>42. Prior period errors (continued)</b>		
<b>Statement of Financial Performance - 2012/13</b>		
Increase in Depreciation	-	374,204
<b>Effect on Accumulated surplus/(Deficit)</b>		
Decrease in accumulated surplus/(deficit)	-	(78,968,565)

### 43. Comparative figures

Certain comparative figures have been reclassified.

An amount of R 2, 286 939 was classified as Grants and subsidies paid in the prior year's financial statements, and was reclassified as operational grants expenditure for the purpose of the current financial statements. The reclassification was performed to result in a more understandable meaning of the amount used.

Change in land under PPE is due Erf 770 on the land register were overstated and has been retrospectively been written off from the land register.

### 44. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

### 45. Going concern

We draw attention to the fact that at June 30, 2014, the municipality's current liabilities exceeded its current assets. However, the financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management considers this basis appropriate as they have had and still continue to have the financial support in the form of grants, both conditional and unconditional, from national and provincial government. The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

# Phumelela Local Municipality

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Financial Statements for the year ended June 30, 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 46. Events after the reporting date

There were no reportable events after the reporting date.

### 47. Unauthorised expenditure

Opening Balance	68,854,329	20,791,736
Movement	48,551,961	48,062,593
	<b>117,406,290</b>	<b>68,854,329</b>

Council has requested the provincial treasury to assist the municipality with the investigation of unauthorised expenditure to determine if the amount is irrecoverable. Once this process is complete, council will then take a decision as to write off the amount or recover.

### 48. Fruitless and wasteful expenditure

Opening Balance	1,059,423	791,079
Movement	58,957	268,344
	<b>1,118,380</b>	<b>1,059,423</b>

Council has requested the provincial treasury to assist the municipality with the investigation of fruitless expenditure to determine if the amount is irrecoverable. Once this process is complete, council will then take a decision as to write off the amount or recover.

Details of fruitless and wasteful expenditure		
Interest charged on late payment to creditors	58 957	203 517
Legal fees incurred and could have been avoided	-	64 827
Poor quality of work received from service providers	-	-
Goods/services not received	-	-

### 49. Irregular expenditure

Opening balance	123,971,570	110,064,952
Add: Irregular Expenditure - current year	5,776,851	13,906,618
	<b>129,748,421</b>	<b>123,971,570</b>

### Analysis of expenditure awaiting condonation per age classification

Current year	5,776,851	13,906,618
Prior years	123,971,570	110,064,952
	<b>129,748,421</b>	<b>123,971,570</b>

### 50. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	-	58,876
Current year subscription / fee	468,000	400,000
Amount paid - current year	(468,000)	(458,876)
	-	-

Membership fees paid to the South African Local Government Association.

# Phumelela Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 50. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Material losses

Electricity Distribution Losses	10,120,705	9,768,254
Water Distribution Losses	1,193,376	2,044,259
	<b>11,314,081</b>	<b>11,812,513</b>

Electricity losses were 69% (2013: 67.03%) consisting out of technical/non technical losses. Technical losses of electricity are inherent to the supply of electricity via lines, conditions/status and age of electricity networks, weather conditions and loads on the system.

Non-technical losses is mainly theft, vandalism and cable bringing which can largely contribute to losses.

Water losses amount to 36%, consisting of technical/non technical losses. Technical losses of water are inherent to the supply of water via conditions/status and age of the water network, and the loads on the water system. Non technical losses comprise of meter by-passing.as well as unread meters.

#### Audit fees

Opening balance	14,687	-
Current year subscription / fee	3,028,544	3,577,979
Amount paid - current year	(1,623,214)	(3,563,292)
	<b>1,420,017</b>	<b>14,687</b>

#### PAYE and UIF

Current year subscription / fee	5,161,383	4,004,816
Amount paid - current year	(5,161,383)	(4,004,816)
	-	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	9,018,141	4,258,012
Amount paid - current year	(9,018,141)	(4,258,012)
	-	-

#### VAT

VAT receivable	3,205,315	679,523
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VAT output payables and VAT input receivables are shown in note .

All VAT returns (except for three months) have been submitted by the due date throughout the year.

# Phumelela Local Municipality

(Registration number :Demarcation number: FS 195)  
Financial Statements for the year ended June 30, 2014

## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 50. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2014:

June 30, 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
TE Radebe	148	3,592	3,740
SE Tshabalala	141	-	141
AD Radebe	753	-	753
JM Mofokeng	27	1,830	1,857
TR Zwane	140	-	140
	<b>1,209</b>	<b>5,422</b>	<b>6,631</b>

June 30, 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
M.D Nkabinde	149	15,168	15,317
J.M Ngwenya - Sithebe	(490)	506	16
T.S Kobeni	5,630	3,868	9,498
D.A Wessels	719	1,556	2,275
S.M Zwane	797	15,168	15,965
T.E Radebe	277	1,596	1,873
	<b>7,082</b>	<b>37,862</b>	<b>44,944</b>

June 30, 2014	Highest outstanding amount	Aging (in days)
TE Radebe	3,592	-
JM Mofokeng	1,830	-
	<b>5,422</b>	<b>-</b>

June 30, 2013	Highest outstanding amount	Aging (in days)
M.D Nkabinde	15,168	-
S.M Zwane	15,168	-
T.S Kobeni	3,868	-
T.E Radebe	1,596	-
D.A Wessels	1,556	-
	<b>37,356</b>	<b>-</b>



# Phumelela Local Municipality

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## Notes to the Financial Statements

Figures in Rand	2014	2013
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### 50. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Urgent repairs at water and sewer plants - Water Solutions Southern Africa	9,250,000	-
Emergency repairs of the water pumpstation in vrede - Ndalama Armature Winders cc	82,069	-
Emergency repairs to borehole to boost water supply - Blue Seal Engineering	24,795	-
Emergency repairs to the Thembalihle sewer pump - Blue Seal Engineering	90,664	-
Repairs to the Vrede waste water treatment plant - Blue Seal Engineering	108,357	-
Repairs of the water pumpstation and network in vrede - Refilwe Tsholofelo	25,700	-
Construction		
Procurement of Professional Services for the Annual Financial Statement - Makomota	-	892,848
Investment Holdings		
Acquisition of Town Planning IT Equipment - Complete computer innovation	-	429,779
Procurement of professional services for Thembalihle 2 Km paved road and Zamani	-	1
Installation of internal sewer network - Flagg Consulting Engineers		
	<b>9,581,585</b>	<b>1,322,628</b>

### 51. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3,699,611	4,506,129
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 52. Budget differences

#### Material differences between budget and actual amounts

The excess of actual expenditure over the final budget for debt impairment and depreciation and amortisation is because of the low provisions recognised in the budget and the implementation of GRAP 17 assets.

#### Changes from the approved budget to the final budget

There is no difference between the approved budget and the final budget since no adjustment budget was approved by council.

## Appendix A

June 2014

### Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at Sunday, June 30, 2013	Received during the period	Redeemed written off during the period	Balance at Monday, June 30, 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
<b>Development Bank of South Africa</b>							
Thembalihle sewerage network	10349 31/03/2017	223,756	-	46,579	177,177	-	-
Vrede Water Network	11193 20/09/2019	1,012,948	-	95,198	917,750	-	-
Memel sewerage network	12324 31/12/2015	47,025	-	2,749	44,276	-	-
Memel water network	12325 31/12/2015	86,251	-	62,176	24,075	-	-
		-	-	-	-	-	-
		<b>1,369,980</b>	-	<b>206,702</b>	<b>1,163,278</b>	-	-
Bonds		-	-	-	-	-	-
<b>Other loans</b>							
Absa Term Loan	3036850050 31/10/2017	3,136,149	-	599,916	2,536,233	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		<b>3,136,149</b>	-	<b>599,916</b>	<b>2,536,233</b>	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
<b>Total external loans</b>							

## June 2014

### Schedule of external loans as at 30 June 2014

	Loan Number	Redeemable	Balance at Sunday, June 30, 2013  Rand	Received during the period  Rand	Redeemed written off during the period  Rand	Balance at Monday, June 30, 2014  Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			1,369,980	-	206,702	1,163,278	-	-
Bonds			-	-	-	-	-	-
Other loans			3,136,149	-	599,916	2,536,233	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			<b>4,506,129</b>	<b>-</b>	<b>806,618</b>	<b>3,699,511</b>	<b>-</b>	<b>-</b>

## June 2014

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

[illegible]

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>													
General vehicles	6,943,787	-	-	-	-	6,943,787	(4,045,185)	-	-	(1,129,718)	-	(5,174,903)	1,768,884
Plant & equipment	7,376,866	64,067	-	-	115,698	7,556,631	(4,443,286)	-	-	(1,066,587)	-	(5,509,873)	2,046,758
Computer Equipment	2,253,712	90,553	-	-	109,238	2,453,503	(1,202,500)	-	-	(486,142)	-	(1,688,642)	764,861
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	3,558,886	5,699	-	-	441,140	4,005,725	(2,020,759)	-	-	(471,956)	-	(2,492,715)	1,513,010
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	85,657	-	-	-	-	85,657	(54,512)	-	-	(14,519)	-	(69,031)	16,626
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	1,782,511	-	-	-	-	1,782,511	(791,597)	-	-	(255,520)	-	(1,047,117)	735,394
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>22,001,419</b>	<b>160,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666,076</b>	<b>22,827,814</b>	<b>(12,557,839)</b>	<b>-</b>	<b>(3,424,442)</b>	<b>-</b>	<b>(15,982,281)</b>	<b>6,845,533</b>

## June 2014

Analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment loss  Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	101,706,241	676,221	-	-	-	-	102,382,462	(22,744,921)	-	-	(1,635,356)	-	(24,380,277)	78,002,185
Infrastructure	491,680,128	45,851,968	-	-	-	-	537,532,096	(74,051,540)	-	-	(14,475,532)	-	(88,527,072)	449,005,024
Community Assets	18,664,466	3,250,313	-	-	-	-	21,914,779	(78,016)	-	-	-	-	(78,016)	21,836,763
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22,001,419	160,319	-	-	-	666,076	22,827,814	(12,557,839)	-	-	(3,424,442)	-	(15,982,281)	6,845,533
	<b>634,052,254</b>	<b>49,938,821</b>	-	-	-	<b>666,076</b>	<b>684,657,151</b>	<b>(109,432,316)</b>	-	-	<b>(19,535,330)</b>	-	<b>(128,967,646)</b>	<b>555,689,505</b>
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	149,070	-	-	-	-	-	149,070	(101,376)	-	-	-	-	(101,376)	47,694
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>149,070</b>	-	-	-	-	-	<b>149,070</b>	<b>(101,376)</b>	-	-	-	-	<b>(101,376)</b>	<b>47,694</b>
<b>Investment properties</b>														
Investment property	22,760,135	-	-	-	-	-	22,760,135	(2,785,476)	-	-	(584,215)	-	(3,369,691)	19,390,444
	<b>22,760,135</b>	-	-	-	-	-	<b>22,760,135</b>	<b>(2,785,476)</b>	-	-	<b>(584,215)</b>	-	<b>(3,369,691)</b>	<b>19,390,444</b>
<b>Total</b>														
Land and buildings	101,706,241	676,221	-	-	-	-	102,382,462	(22,744,921)	-	-	(1,635,356)	-	(24,380,277)	78,002,185
Infrastructure	491,680,128	45,851,968	-	-	-	-	537,532,096	(74,051,540)	-	-	(14,475,532)	-	(88,527,072)	449,005,024
Community Assets	18,664,466	3,250,313	-	-	-	-	21,914,779	(78,016)	-	-	-	-	(78,016)	21,836,763
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22,001,419	160,319	-	-	-	666,076	22,827,814	(12,557,839)	-	-	(3,424,442)	-	(15,982,281)	6,845,533
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	149,070	-	-	-	-	-	149,070	(101,376)	-	-	-	-	(101,376)	47,694
Investment properties	22,760,135	-	-	-	-	-	22,760,135	(2,785,476)	-	-	(584,215)	-	(3,369,691)	19,390,444
	<b>656,961,459</b>	<b>49,938,821</b>	-	-	-	<b>666,076</b>	<b>707,566,356</b>	<b>(112,319,168)</b>	-	-	<b>(20,119,545)</b>	-	<b>(132,438,713)</b>	<b>575,127,644</b>

## Appendix B

Analysis of property, plant and equipment as at 30 June 2013	
Cost/Revaluation	Accumulated depreciation

[illegible]

## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>													
General vehicles	6,943,787	1,366,261	(181,759)	-	-	8,128,289	(4,685,081)	-	-	(544,606)	-	(5,229,687)	2,898,602
Plant & equipment	7,376,866	2,109,399	(68,147)	-	-	9,418,118	(5,741,486)	-	-	(743,052)	-	(6,484,538)	2,933,580
Computer Equipment	2,253,712	683,858	(17,070)	-	-	2,920,500	(1,412,247)	-	-	(457,041)	-	(1,869,288)	1,051,212
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	3,558,886	420,008	(7,709)	-	-	3,971,185	(2,031,110)	-	-	(401,948)	-	(2,433,058)	1,538,127
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	85,657	-	-	-	-	85,657	(44,470)	-	-	(10,042)	-	(54,512)	31,145
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	1,782,511	-	-	-	-	1,782,511	(571,460)	-	-	(220,137)	-	(791,597)	990,914
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>22,001,419</b>	<b>4,579,526</b>	<b>(274,685)</b>	<b>-</b>	<b>-</b>	<b>26,306,260</b>	<b>(14,485,854)</b>	<b>-</b>	<b>-</b>	<b>(2,376,826)</b>	<b>-</b>	<b>(16,862,680)</b>	<b>9,443,580</b>



## Appendix B

June 2014

### Analysis of property, plant and equipment as at 30 June 2013

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	107,464,241	-	(347,000)	-	-	(5,688,786)	101,428,455	(17,917,394)	-	-	(4,549,741)	-	(22,467,135)	78,961,320
Infrastructure	401,348,133	2,224,187	-	-	-	-	403,572,320	(61,402,819)	-	-	(14,872,908)	-	(76,275,727)	327,296,593
Community Assets	18,664,466	-	-	-	-	-	18,664,466	-	-	-	(78,016)	-	(78,016)	18,586,450
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22,001,419	4,579,526	(274,685)	-	-	-	26,306,260	(14,485,854)	-	-	(2,376,826)	-	(16,862,680)	9,443,580
	<b>549,478,259</b>	<b>6,803,713</b>	<b>(621,685)</b>	<b>-</b>	<b>-</b>	<b>(5,688,786)</b>	<b>549,971,501</b>	<b>(93,806,067)</b>	<b>-</b>	<b>-</b>	<b>(21,877,491)</b>	<b>-</b>	<b>(115,683,558)</b>	<b>434,287,943</b>
<b>Agricultural/Biological assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Intangible assets</b>														
Computers - software & programming	149,070	1,699	-	-	-	-	150,769	(45,471)	-	-	-	(57,604)	(103,075)	47,694
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>149,070</b>	<b>1,699</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,769</b>	<b>(45,471)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57,604)</b>	<b>(103,075)</b>	<b>47,694</b>
<b>Investment properties</b>														
Investment property	22,760,135	-	-	-	-	-	22,760,135	-	-	-	(2,785,476)	-	(2,785,476)	19,974,659
	<b>22,760,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,760,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,785,476)</b>	<b>-</b>	<b>(2,785,476)</b>	<b>19,974,659</b>
<b>Total</b>														
Land and buildings	107,464,241	-	(347,000)	-	-	(5,688,786)	101,428,455	(17,917,394)	-	-	(4,549,741)	-	(22,467,135)	78,961,320
Infrastructure	401,348,133	2,224,187	-	-	-	-	403,572,320	(61,402,819)	-	-	(14,872,908)	-	(76,275,727)	327,296,593
Community Assets	18,664,466	-	-	-	-	-	18,664,466	-	-	-	(78,016)	-	(78,016)	18,586,450
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	22,001,419	4,579,526	(274,685)	-	-	-	26,306,260	(14,485,854)	-	-	(2,376,826)	-	(16,862,680)	9,443,580
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	149,070	1,699	-	-	-	-	150,769	(45,471)	-	-	-	(57,604)	(103,075)	47,694
Investment properties	22,760,135	-	-	-	-	-	22,760,135	-	-	-	(2,785,476)	-	(2,785,476)	19,974,659
	<b>572,387,464</b>	<b>6,805,412</b>	<b>(621,685)</b>	<b>-</b>	<b>-</b>	<b>(5,688,786)</b>	<b>572,882,405</b>	<b>(93,851,538)</b>	<b>-</b>	<b>-</b>	<b>(24,662,967)</b>	<b>(57,604)</b>	<b>(118,572,109)</b>	<b>454,310,296</b>

## June 2014

[illegible]

-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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-	-	-	-	-	-	-
-	-	-	-	-	-	-

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# Phumelela Local Municipality

## Appendix D

June 2014

### Segmental Statement of Financial Performance for the year ended 2013

2014

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
<b>128,427,331</b>	<b>138,496,926</b>	<b>(10,069,595)</b>	<b>Total</b>	<b>42,234,068</b>	<b>109,754,551</b>	<b>(67,520,483)</b>

## Appendix E(1)

June 2014

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Current year 2014 Act. Bal.	Current year 2014 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var	
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	481,344	-	481,344	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	7,004,900	(7,004,900)	(100.0)	
Service charges	26,655,866	30,942,225	(4,286,359)	(13.9)	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	-	1,770,600	(1,770,600)	(100.0)	
Interest received (trading)	6,506,525	3,208,000	3,298,525	102.8	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	16,995	24,000	(7,005)	(29.2)	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	989,631	2,670,000	(1,680,369)	(62.9)	
Fines	239,967	210,000	29,967	14.3	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	61,709,850	(61,709,850)	(100.0)	
Interest received - investment	545,847	665,000	(119,153)	(17.9)	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	35,436,175	108,204,575	(72,768,400)	(67.3)	

## Appendix E(1)

June 2014

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Current year 2014 Act. Bal.	Current year 2014 Bud. Amt	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(47,036,796)	(43,242,242)	(3,794,554)	8.8
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(4,548,685)	(4,472,372)	(76,313)	1.7
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(18,328,740)	(2,478,000)	(15,850,740)	639.7
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(2,861,584)	(460,000)	(2,401,584)	522.1
Debt impairment	(21,783,711)	(11,454,579)	(10,329,132)	90.2
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance	(8,181,069)	(10,066,000)	1,884,931	(18.7)
- General	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Bulk purchases	(18,164,469)	(13,545,682)	(4,618,787)	34.1
Contracted Services	(9,148,107)	(2,350,000)	(6,798,107)	289.3
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(17,584,709)	(17,634,700)	49,991	(0.3)
Contribution to provisions	-	(2,501,000)	2,501,000	100.0
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other revenue and costs	(147,637,870)	(108,204,575)	(39,433,295)	36.4
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-

**Appendix E(1)**

June 2014

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014**

	<b>Current year 2014 Act. Bal.</b>	<b>Current year 2014 Bud. Amt</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Discontinued operations	-	-	-	-
Net surplus/ (deficit) for the year	(112,201,695)	-	(112,201,695)	-

# Phumelela Local Municipality

## Appendix E(2)

June 2014

### Budget Analysis of Capital Expenditure as at 30 June 2014

	Additions	Original	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
<b>Municipality</b>					
Executive & Council/Mayor and Council	-	2,263,850	2,263,850	<b>100</b>	
Finance & Admin/Finance	873	-	(873)	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	3,250,313	4,212,750	962,437	<b>23</b>	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	3,970,902	5,507,211	1,536,309	<b>28</b>	
Road Transport/Roads	5,392,047	4,500,000	(892,047)	<b>(20)</b>	
Water/Water Distribution	3,878,203	0,293,189	1,414,986	<b>5</b>	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
Waste Management	-	50,000	50,000	<b>100</b>	
	-	-	-	-	
	-	-	-	-	
	<b>1,492,338</b>	<b>6,827,000</b>	<b>5,334,662</b>	<b>11</b>	

**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended June 30, 2014**

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	7,994,000	-	7,994,000	-		7,994,000	7,799,030		(194,970)	98 %	98 %				7,482,667
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	7,523,000	-	7,523,000	-		7,523,000	7,062,392		(460,608)	94 %	94 %				6,797,406
Service charges - water revenue	13,505,225	-	13,505,225	-		13,505,225	12,724,334		(780,891)	94 %	94 %				9,808,057
Service charges - sanitation revenue	6,650,000	-	6,650,000	-		6,650,000	6,869,139		219,139	103 %	103 %				5,986,905
Service charges - refuse revenue	6,464,000	-	6,464,000	-		6,464,000	-		(6,464,000)	- %	- %				-
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Interest earned - external investments	665,000	-	665,000	-		665,000	7,052,371		6,387,371	1,061 %	1,061 %				4,211,188
Interest earned - outstanding debtors	3,208,000	-	3,208,000	-		3,208,000	-		(3,208,000)	- %	- %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	210,000	-	210,000	-		210,000	64,404		(145,596)	31 %	31 %				107,650
Licences and permits	24,000	-	24,000	-		24,000	16,995		(7,005)	71 %	71 %				16,978
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	61,709,850	-	61,709,850	-		61,709,850	270,000		(61,439,850)	- %	- %				90,481,249
Other revenue	251,500	-	251,500	-		251,500	1,710,941		1,459,441	680 %	680 %				1,091,633
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	108,204,575	-	108,204,575	-		108,204,575	43,569,606		(64,634,969)	40 %	40 %				125,983,733



**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended June 30, 2014**

2014/2013										2013/2012				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Employee related costs	43,242,242	-	43,242,242	-	43,242,242	47,036,796	-	3,794,554	109 %	109 %	-	-	-	44,482,108
Remuneration of councillors	4,472,372	-	4,472,372	-	4,472,372	4,548,685	-	76,313	102 %	102 %	-	-	-	4,447,485
Debt impairment	11,454,578	-	11,454,578	-	11,454,578	21,783,711	-	10,329,133	190 %	190 %	-	-	-	16,929,193
Depreciation & asset impairment	2,478,000	-	2,478,000	-	2,478,000	18,328,740	-	15,850,740	740 %	740 %	-	-	-	26,378,117
Finance charges	-	-	-	-	-	2,861,584	-	2,861,584	DIV/0 %	DIV/0 %	-	-	-	2,027,333
Bulk purchases	13,545,682	-	13,545,682	-	13,545,682	18,164,469	-	4,618,787	134 %	134 %	-	-	-	17,601,562
Other materials	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	2,350,000	-	2,350,000	-	2,350,000	9,148,107	-	6,798,107	389 %	389 %	-	-	-	8,175,532
Transfers and grants	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other expenditure	30,658,701	-	30,658,701	-	30,658,701	25,765,778	-	(4,892,923)	84 %	84 %	-	-	-	30,011,707
Loss on disposal of PPE	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Expenditure</b>	<b>108,201,575</b>	<b>-</b>	<b>108,201,575</b>	<b>-</b>	<b>108,201,575</b>	<b>147,637,870</b>	<b>-</b>	<b>39,436,295</b>	<b>136 %</b>	<b>136 %</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,053,037</b>
<b>Surplus/(Deficit)</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>(104,068,264)</b>	<b>-</b>	<b>(104,071,264)</b>	<b>(3,468,942)%</b>	<b>(3,468,942)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,069,304)</b>
Transfers recognised - capital	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contributions recognised - capital	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>(104,068,264)</b>	<b>-</b>	<b>(104,071,264)</b>	<b>(3,468,942)%</b>	<b>(3,468,942)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,069,304)</b>
Taxation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>(104,068,264)</b>	<b>-</b>	<b>(104,071,264)</b>	<b>(3,468,942)%</b>	<b>(3,468,942)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,069,304)</b>
Attributable to minorities	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>(104,068,264)</b>	<b>-</b>	<b>(104,071,264)</b>	<b>(3,468,942)%</b>	<b>(3,468,942)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,069,304)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>3,000</b>	<b>(104,068,264)</b>	<b>-</b>	<b>(104,071,264)</b>	<b>(3,468,942)%</b>	<b>(3,468,942)%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24,069,304)</b>

**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended June 30, 2014**

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Single-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Vote	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-

**Appendix G4**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended June 30, 2014**

2014/2013										2013/2012				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital Expenditure - Standard</b>														
<b>Governance and administration</b>	-	-	-	-	-	873,360	-	873,360	DIV/0 %	DIV/0 %	-	-	-	712,493
Executive and council	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	-	-	-	-	873,360	-	873,360	DIV/0 %	DIV/0 %	-	-	-	712,493
Corporate services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Community and public safety</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	680,003
Community and social services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	680,003
Public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Economic and environmental services</b>	-	-	-	-	-	398,439	-	398,439	DIV/0 %	DIV/0 %	-	-	-	15,063,422
Planning and development	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	-	-	-	-	-	398,439	-	398,439	DIV/0 %	DIV/0 %	-	-	-	15,063,422
Environmental protection	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Trading services</b>	-	-	-	-	-	25,012,954	-	25,012,954	DIV/0 %	DIV/0 %	-	-	-	10,870,278
Electricity	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	21,199,999	-	21,199,999	DIV/0 %	DIV/0 %	-	-	-	5,874,960
Waste water management	-	-	-	-	-	3,812,955	-	3,812,955	DIV/0 %	DIV/0 %	-	-	-	3,629,057
Waste management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	1,366,261
<b>Other</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Capital Expenditure - Standard</b>	-	-	-	-	-	26,284,753	-	26,284,753	DIV/0 %	DIV/0 %	-	-	-	27,326,196
<b>Funded by:</b>														
National Government	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Provincial Government	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
District Municipality	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Transfers recognised - capital</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public contributions & donations	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Total Capital Funding</b>	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-

# Appendix G5

## Budgeted Cash Flows

### for the year ended June 30, 2014

	2013/2014						2013		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	-	-	-	-	51,149,819	51,149,819	DIV/0 %	DIV/0 %	222,151,330
Government - operating	-	-	-	-	270,000	270,000	DIV/0 %	DIV/0 %	90,481,249
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	-	-	-	-	7,052,371	7,052,371	DIV/0 %	DIV/0 %	4,211,188
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	-	-	-	-	240,412,758	240,412,758	DIV/0 %	DIV/0 %	169,406,088
Finance charges	-	-	-	-	2,861,584	2,861,584	DIV/0 %	DIV/0 %	2,027,333
Transfers and Grants	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used operating activities	-	-	-	-	301,746,532	301,746,532	DIV/0 %	DIV/0 %	488,277,188
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	(43,083)	(43,083)	DIV/0 %	DIV/0 %	(134,149)
Payments									
Capital assets	-	-	-	-	20,986,528	20,986,528	DIV/0 %	DIV/0 %	5,137,358
Net cash flow from/used investing activities	-	-	-	-	20,943,445	20,943,445	DIV/0 %	DIV/0 %	5,003,209
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	(1,247,516)	(1,247,516)	DIV/0 %	DIV/0 %	2,599,567
Increase (decrease) in consumer deposits	-	-	-	-	(895)	(895)	DIV/0 %	DIV/0 %	(4,600)
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	-	-	-	-	(1,248,411)	(1,248,411)	DIV/0 %	DIV/0 %	2,594,967
Net increase/(decrease) in cash held	-	-	-	-	321,441,566	321,441,566	DIV/0 %	DIV/0 %	495,875,364
Cash/cash equivalents at the year begin:					599,592,850				6,571,155
Cash/cash equivalents at the year end:	-	-	-	-	921,034,416	321,441,566	DIV/0 %	DIV/0 %	